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Annual Report 2000

Our Vision:

Captivate North American consumers

...one cup at a time...

with Van Houtte's fine-tasting coffees and innovative merchandising concepts

A·L·VAN HOUTTE®

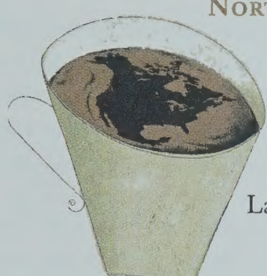
1999-2000 Highlights

Financial Performance

Sales of $250 million and net earnings of $19 million or $0.88 per share, up for the seventh consecutive year

Increases of 23% in the number of corporate single-cup brewers installed and 18% in the Coffee Group's shipments

Measures Taken to Accelerate Coffee Service Expansion Throughout North America

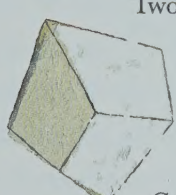


A centralized management team

New operational model geared to customer and consumer satisfaction

Launch of two compact single-cup coffee brewers

Investments of $49 million, including $25 million in Business Acquisitions



Two Filterfresh franchises (New England and North Virginia/Washington, D.C.)

One traditional Coffee Service operator in Minneapolis

Six Coffee Service companies in Ontario, the Atlantic Provinces and Western Canada

Gérard Van Houtte Inc., a Canadian gourmet coffee roaster

Market Development

41% increase in the number of corporate single-cup coffee brewing units in the United States

U.S. sales account for 20% of Van Houtte's total revenues

Success of the "Caffe Mondo" program in Canada

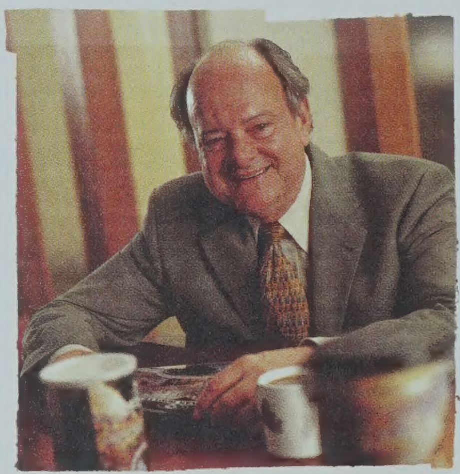
Ongoing implementation of Van Houtte-branded merchandising programs in Canadian supermarkets and initial breakthrough in the United States

Strategic alliance between the Café-Bistro Division and *The Great Canadian Bagel* (150 outlets across Canada)

(All figures in this Annual Report are stated in Canadian dollars, except when indicated otherwise.)

IN FISCAL 2000, WE ADOPTED A FORWARD-LOOKING STRATEGIC PLAN TO GUIDE THE COMPANY INTO ITS NEXT GROWTH PHASE. OUR VISION IS TO CAPTIVATE NORTH AMERICAN CONSUMERS... ONE CUP AT A TIME... WITH VAN HOUTTE'S FINE-TASTING COFFEES AND INNOVATIVE MERCHANDISING CONCEPTS.

This new thrust is the result of a comprehensive planning process involving Van Houtte's officers, its Board members as well as external consultants. Following an in-depth analysis of consumer trends and Van Houtte's competitive environment, every aspect of our operations, including technological and organizational capabilities, total product quality, value-based services and brand image were reviewed.



PAUL-ANDRÉ GUILLOTTE
President and Chief Executive Officer

Confident in the knowledge that our 80-year heritage and expertise in the roasting and marketing of gourmet coffees, our profile roasting system that enhances coffee flavour, leading-edge single-cup brewing technology, and vast retail and Coffee Service distribution networks reaching millions of consumers daily were business-building advantages, the strategic planning process addressed the important growth potential in the North American market.

The trend toward discovering richer coffee taste is driving the growing consumption of better quality coffees in North America. Whether at home, at work or in a restaurant, consumers not only demand a varied selection of coffees, but base their choices on the comfort that only a credible, well-known brand can inspire. What's more, the U.S. Coffee Service industry is still highly fragmented and rather unfamiliar with single-cup brewing technology. This creates an exciting opportunity for Van Houtte, who has gained recognized expertise in this market niche while establishing its presence in some 28 American states.

Our goal is clear: Satisfy consumers and grow our customer base. We will accomplish this by enticing consumers with an enriched coffee experience supported by strong brand recognition as well as channeling our employees activities towards this objective. Combined with our ongoing acquisition program, this approach will lead the Company to higher levels of growth and profitability, with the ultimate goal of maximizing its core value and potential for the benefit of its shareholders.

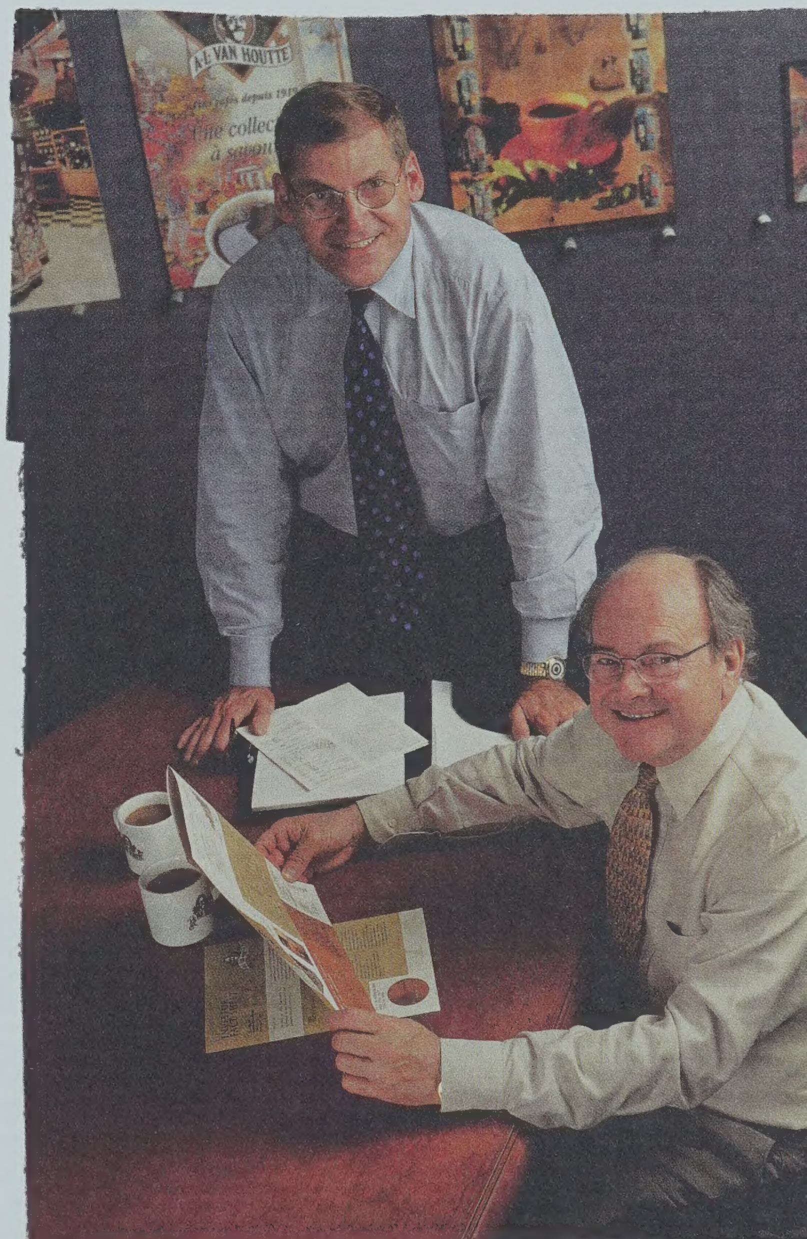
We will align the Coffee Group's roasting and merchandising strengths with the Coffee Service network's expertise and VKI Technologies' product innovation capacity to lay the groundwork for a marketing infrastructure. This infrastructure will serve to offer consumers a wider choice of branded, great-tasting coffee, cup-after-cup, through distinctive merchandising concepts. While consolidating our Canadian market supremacy in Coffee Service, we intend to establish a national leadership position in the U.S. Coffee Service market, worth over US$3 billion annually. Simply stated, as Van Houtte looks to the 21st century, significant investments earmarked for internal development and business acquisitions will be directed mainly towards the U.S. market.

Message to Shareholders

We've identified the resources and tools that will ensure the success of our strategic plan, the implementation of which will span two fiscal years. At this point, we're half way there. Investment priorities over this timeframe associated with the implementation phase are expected to temporarily soften the growth rate of Van Houtte's net earnings. However, we are confident that once the fundamentals are firmly in place, Van Houtte will not only regain but will surpass historical growth rates.

For the fiscal year ended April 1, 2000, we incurred \$1.6 million in direct expenses or the equivalent of \$0.05 per share after taxes to implement the first phase of the strategic plan, mostly to organize our Coffee Service sector. By nearly every measure, Van Houtte nonetheless delivered its best financial performance by posting net earnings of \$19 million or \$0.88 per share, up 11% over the prior year. Our revenues topped the \$250 million mark while systemwide sales, including franchised networks, reached close to \$350 million. Cash flow from operations, a measure of our financial strength, rose to \$42.4 million, due to internal growth and enhanced by acquisitions.

A new management team has been assembled centralizing corporate functions related to North American Coffee Service operations. The objective is to develop our competencies and best practices within a unified operational model geared to customer satisfaction and guided by identical standards of excellence across North America.



GÉRARD GEOFFRION
Executive Vice-President

PAUL-ANDRÉ GUILLOTTE
President and Chief Executive Officer

The implementation of our strategic plan is proceeding as planned and will accelerate in the upcoming quarters.

Direct expenses relating to the implementation of the strategic plan's second phase are expected to reach $2 million. The bulk of these charges will be spent equipping North American Coffee Service operations with the latest productivity and technological tools as well as fine tuning our operational model. Despite these costs, a 10% to 12% increase in net earnings is within reach with market share growth in existing operations and the continued pace of acquisitions.

The Coffee Service sector's growth strategy is twofold: intensify North American penetration of single-cup technology by adding sites and increase coffee consumption per site. We are also looking at various opportunities on the international scene and for some years now have been in partnership with a local entrepreneur developing a Coffee Service operation in Prague. Similar start-up plans are also under way in Warsaw, Poland.

The Coffee Group will continue its coverage of the Canadian retail food industry by offering Van Houtte coffee-branded merchandising programs plus will target certain U.S. markets. Another marketing strategy will be to use the Coffee Group's bistro and coffee bar network to collaborate with strategic partners to support the brand.

Over and above their specific objectives, all operating divisions of Van Houtte have one guiding principle: provide North American consumers with refined coffees direct from the roaster. And soon they will do so under a single name: VAN HOUTTE.

A corporation mindful of its shareholders' interests...

VAN HOUTTE HAS ESTABLISHED EFFECTIVE CORPORATE GOVERNANCE PRACTICES TO SAFEGUARD AND OPTIMIZE ITS SHAREHOLDERS' INVESTMENTS. THIS IS BORNE OUT BY THE CALIBRE OF ITS ELEVEN-MEMBER BOARD OF DIRECTORS, EIGHT OF WHOM ARE OUTSIDE AND UNRELATED. THE BOARD CREATED A COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE ENTIRELY COMPRISED OF OUTSIDE, UNRELATED DIRECTORS. ASIDE FROM OVERSEEING COMPENSATION POLICIES AND PROGRAMS FOR SENIOR OFFICERS AND DIRECTORS, THE COMMITTEE MONITORS ALL ASPECTS OF GOVERNANCE, INCLUDING CONTINUOUS DISCLOSURE REQUIREMENTS.

VAN HOUTTE'S SENIOR MANAGEMENT IS RESPONSIBLE FOR APPLYING THE STANDARDS OF ITS TRANSPARENT AND ACCESSIBLE SHAREHOLDER COMMUNICATIONS POLICY TO BOTH INSTITUTIONAL AND INDIVIDUAL SHAREHOLDERS. WHILE ASSURING THE QUALITY AND INTEGRITY OF THE INFORMATION SENT TO SHAREHOLDERS, IT MAINTAINS ONGOING COMMUNICATION PROGRAMS WITH THE INVESTMENT COMMUNITY AND FINANCIAL MEDIA. IT SHOULD BE MENTIONED THAT IN FEBRUARY 2000, THE QUALITY OF VAN HOUTTE'S MANAGEMENT AND THE TRANSPARENCY OF ITS COMMUNICATION PROGRAMS EARNED IT THE "MANAGEMENT BY EXCELLENCE IN QUEBEC" AWARD IN THE MEDIUM-SIZED PUBLIC COMPANIES CATEGORY. THIS AWARD WAS BESTOWED BY NATIONAL BANK FINANCIAL, AFTER CONSULTING WITH 600 CANADIAN STOCK PORTFOLIO MANAGERS.

At our next Annual Meeting, shareholders will be asked to ratify the adoption of this simplified corporate name for the Company.

For the near future, our plan is ambitious and financially demanding, but in the longer term we believe our stakeholders will benefit from the achievement of our strategic goals and will share in our Company's long-term growth and profitability.

Van Houtte has the level of integration and complementary strengths to meet these challenges as we already master such key variables as the coffee, the equipment, and the service. Going forward, we also have a talented and diverse team, the financial capital, support from our Board and financial partners to carry out this new phase in your Company's development.

In conclusion, I'd like to salute the contribution and professionalism of our 1,500 employees and managers and welcome those who have joined our team in recent months.

As well, our success has always hinged on the support of our suppliers and business partners and we would like to express our gratitude to them. I'd also like to thank our Board for their invaluable collaboration in mapping out our corporate vision and strategic plan. Our Board recently welcomed Michael Gray, an American director, who brings to it his extensive knowledge of the U.S. market.

Above all, I want to thank Van Houtte's shareholders for their confidence and support of our strategic orientation. Rest assured that we will continue to meet our commitments to you in accordance with the highest standards of discipline and transparency.

Paul-André Guillotte
President and Chief Executive Officer
July 2000

...and sharing its business success with the community

Conscious of the importance of a skilled, motivated and empowered labour force, Van Houtte allocated 1.6% of its total payroll to training programs for its 1,500 employees last year. Moreover, committed to acting as a responsible corporate partner in the communities it serves, Van Houtte distributes one percent of its previous year's net earnings to worthwhile causes on an annual basis. Recipients include universities, hospitals, cultural and charitable organizations. Additionally, Van Houtte has made coffee product donations worth more than $500,000 over the past five years.

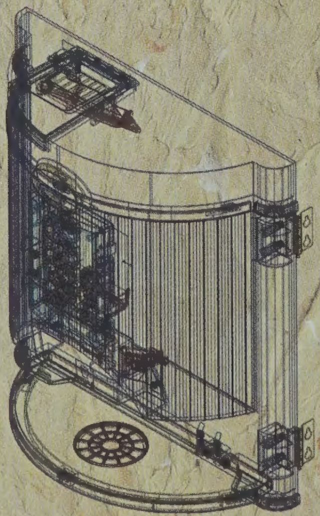
In the last fiscal year, Van Houtte undertook to donate a percentage of the profits derived from its "Caffe Mondo" program as well as various retail products to Coffee Kids, an international, non-profit organization whose mission is to improve the lives of children and families living in coffee-growing countries. What's more, Van Houtte entered into an agreement to distribute a *Transfair Canada* certified coffee under the "Coffee Lovers" label.

Thereby, we seek to help provide the resources that will enable hundreds of communities to help themselves and develop independently.

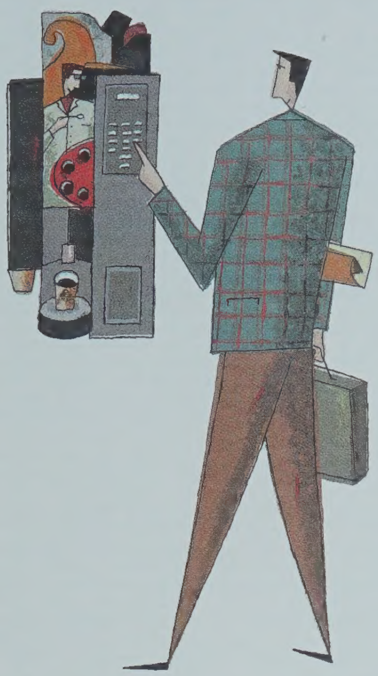
For further information, please consult the Web site at **www.coffeekids.org**

COFFEE SERVICES

COFFEE GROUP



VKI TECHNOLOGIES



Did you know that more than four million cups of Van Houtte coffee are consumed every day across North America? In millions of kitchens, tens of thousands of offices, thousands of restaurants and other public locations, our coffee is enjoyed daily from Halifax to San Diego and from Anchorage to Miami... always freshly roasted.

Officers

Paul-André Guillotte
President and Chief Executive Officer

Gérard Geoffrion
Executive Vice-President

Normand De Césaré
Corporate Controller

Coffee Services

Christian Pouliot
President

Ronald W. McArthur
Executive Vice-President

Canada

Michel Jacques
Vice-President, Operations
Eastern Region

Robert Mann
Vice-President, Operations
Western Region

Gordon Sommerville
Vice-President, Operations
Central Region

Rick Onyschuk
Vice-President, Operations
Vending Division

United States

Daniel Cousineau
Managing Director,
Filterfresh Corporation

Roger Cohen
Vice-President,
Franchise Division
Filterfresh Corporation

Coffee Group and VKI Technologies

Coffee Group

Jean-Yves Monette
President

Alain Larocque
Vice-President, Sales

Jamie Livingston
Managing Director,
Gold Cup Coffee Company

Stéphane Breault
President,
Café-Bistro Division

VKI Technologies

Mario Tougas
President

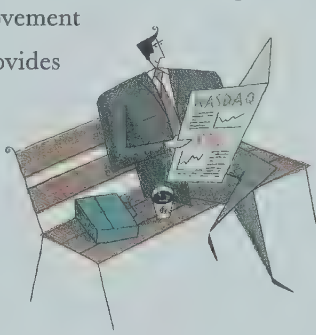
Angelo Mottillo
Vice-President, Engineering

Ricardo Tozzi
Vice-President, Operations

FROM TRENDSETTER... TO MARKET LEADER

The principal target of the Company's expansion strategy is the U.S. Coffee Service market, not only for its size, but because consumer trends have never been so favourable to the marketing of new gourmet coffee experiences.

Our market studies show that 40% of coffee consumed in the workplace is bought outside the office. This means that nearly half of the consumers go elsewhere to satisfy their craving for coffee variety, freshness and flavour. Single-cup technology offers an obvious improvement over traditional Coffee Services since it provides consumers with freshly brewed coffee, always available. Therefore, our positioning in this sector constitutes an ideal platform to meet consumer needs all across North America, by allowing them to discover the refined taste of Van Houtte branded coffees. This not only applies to the workplace, but to all busy locations where consumers will be able to appreciate the accessibility of our concepts: convenience stores, hotels, airports, hospitals, etc.



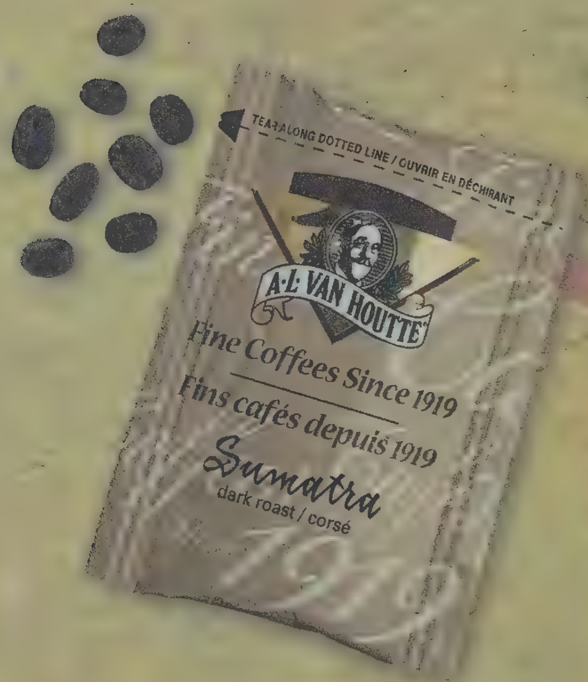
Accordingly, although expanding our equipment base will remain the driving force of our growth strategy in the Coffee Service sector, we will strive to win consumers over by channeling all of the Company's skills to provide our customers with products and services meeting the highest standards of excellence.

Consistent with these goals, we expanded our corporate single-cup equipment base by 23% over the past fiscal year, by installing or acquiring 5,875 additional units across North America. This brought their total number to 31,555 as at April 1, 2000, almost a third of them in the United States.

While it partly stemmed from business acquisitions, this expansion was mostly attributable to internal growth. Among other things, our Single-Cup Sales Academy was instrumental in the growth of our equipment base in both Canada and the United States. It graduated 125 skilled salespersons across North America who returned to their home markets highly focused and well trained to bring new customers into our group. The "Caffe Mondo" program also played a key role in the 15% increase of our Canadian single-cup base. This program not only allowed us to gain new customers, but it contributed to a significant increase in coffee consumption per site, thereby enhancing the loyalty of existing customers. So far, 80% of targeted Canadian customers have adopted "Caffe Mondo", which was recently introduced to our U.S. corporate network as well. Considering the success of this first joint venture by Coffee Services, Coffee Group and VKI, we pooled our efforts once again last year to develop a second generation of compact single-cup models, the "Caffè Mio" and the "Piccolina", in order to tap into the tremendous potential offered by groups of 40 users or less throughout North America. In addition to delivering consistently fine-tasting coffee, these coffee brewers are equipped with a complementary packet system that allows consumers to choose from several coffee blends.

Piccolina

The Caffe Mondo Kilimanjaro
Coffee Selection



Caffè Mio

In the United States, our corporate branch network achieved impressive results last year by increasing its number of units by 41%. Besides vigorous internal growth, this performance was fuelled by our ongoing acquisitions program. Consistent with our strategy of acquiring certain Filterfresh franchisees, we acquired 80% of the franchised outlet servicing North Virginia and Washington, D.C., as well as 100% of the Northern New England franchise. Moreover, in order to harmonize our development efforts in the buoyant Chicago market, we combined our corporate outlet with the Filterfresh franchise operating in this city, to form a joint venture 25%-owned by Van Houtte. A similar transaction was carried out in Atlanta in May 2000. Early in fiscal 2001, we also acquired a majority interest in two Filterfresh franchised outlets located respectively in Louisville, Kentucky and Columbus, Ohio. Finally, in fiscal 2000 we carved out another expansion avenue in the United States by acquiring a second traditional coffee service operator in Minneapolis in less than a year. As we have done in the past with dozens of acquisitions across Canada, this approach will enable us to establish our presence in new territories by integrating existing customer bases, whom we will gradually convert to single-cup technology and Van Houtte coffees.

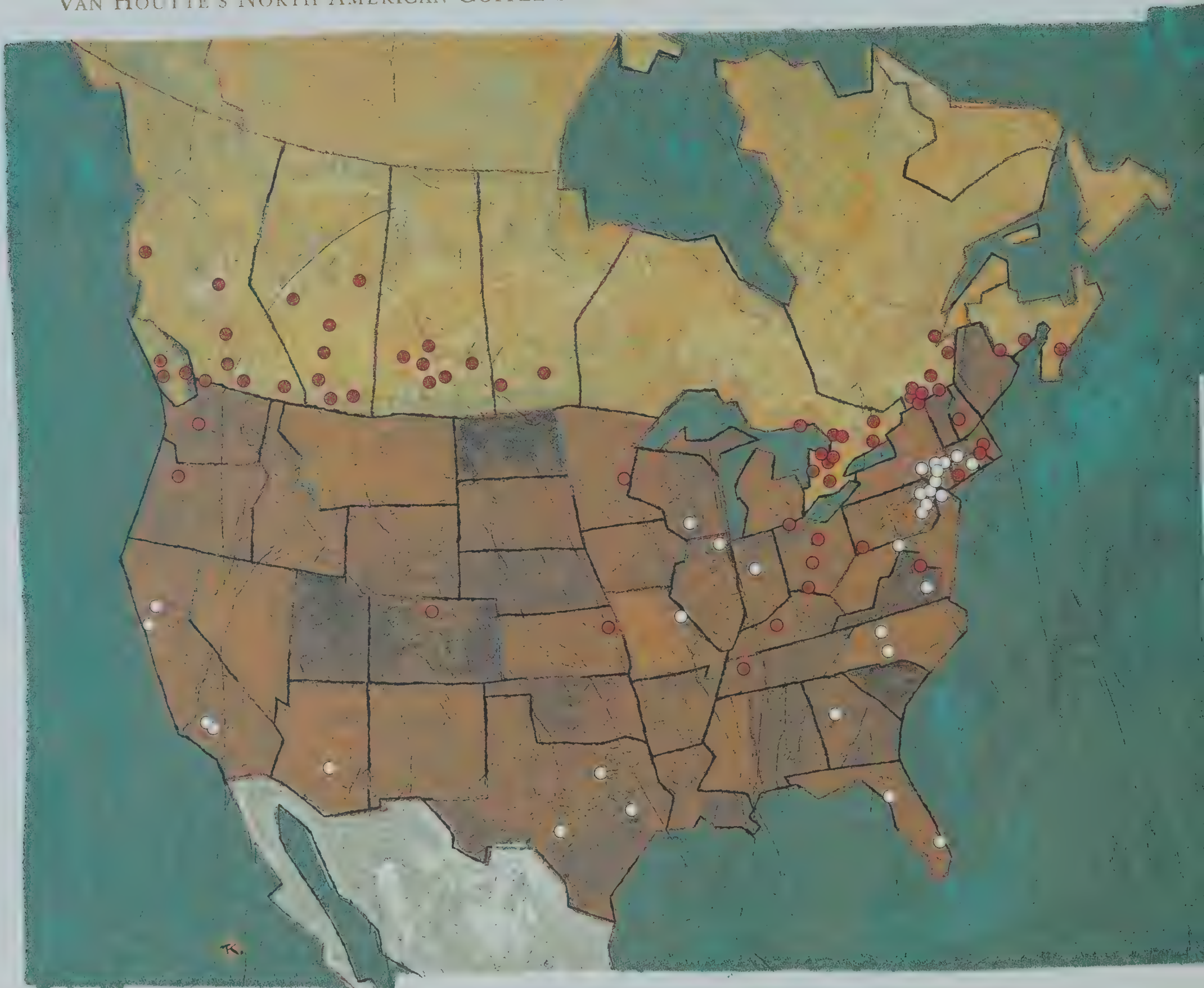
Daniel Cousineau
Managing Director
Filterfresh Corporation

Roger Cohen
Vice-President
Franchise Division, Filterfresh Corporation

Christian Pouliot
President, Coffee Services

Ronald W. McArthur
Executive Vice-President
Coffee Services

Van Houtte's North American Coffee Service Network



● Corporate

○ Franchises

Coffee Services

In the coming years, we will continue to expand our corporate network by acquiring Filterfresh franchises and independent quality operators. We also intend to reinvigorate and further support our franchised network as an instrumental partner of Van Houtte's expansion strategy.

Even though the U.S. market is our principal expansion market, Canada still offers room for growth. We proved so last year by completing three acquisitions in Ontario, that enabled Van Houtte to become the leading Coffee Service operator in the Greater Toronto Area.

It goes without saying that the success of our strategy to roll out the "Van Houtte" brand in the Coffee Service market will take root in a highly efficient and standardized organization, sharing the same culture and model of operational excellence.

That is why we undertook to reorganize our North American Coffee Service operations last year, based on centralized strategic management and decentralized execution, strongly focused on customer satisfaction. We put together a management team at Head Office, comprised of specialists in management information systems, marketing, human resources, standards and processes, and finance. This team, combined with our experienced branch operators, will execute a consistent level of service to our customers.

Now that we have strengthened our organization and identified our priorities, the next step this year will be to develop our information tools accordingly. Thereby, we will soon be able to count on an operational base unrivalled in North America, capable of providing customers and consumers with strong value-added products and services.

CHRISTIAN POULIOT
President, Coffee Services
July 2000

Roasting and Marketing of Gourmet Coffee

RICHARD CLERMONT
Van Houtte's Master Roaster

OUR VISION OF VAN HOUTTE'S BRAND IS SHARING OUR PASSION FOR REFINED COFFEES OF VARIOUS ORIGINS, BY MAKING THEM AVAILABLE TO CONSUMERS FOR THEIR PURE ENJOYMENT.

Rolling out the "Van Houtte" brand is the cornerstone of our expansion strategy, not only because the North American gourmet coffee market is trending in this direction, but because our brand is our most valued asset.

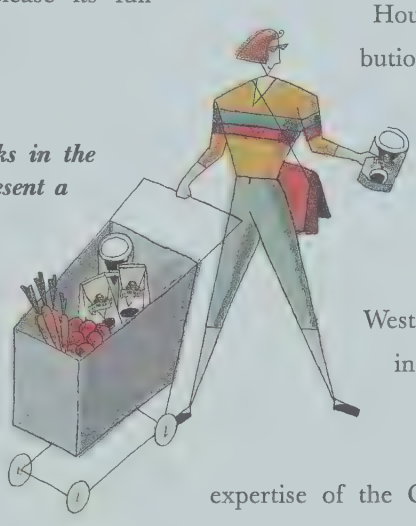
Brand loyalty has a definite impact on coffee consumption. We have benefited from it for decades in Quebec, where the "Van Houtte" brand has become the benchmark for refined coffees. As testimony to the strength of the brand and through the visibility of its retail market penetration, more and more Canadians are now recognizing that Van Houtte stands for quality and great taste. Our main objective is to focus our attention on the business of building a strong brand image across North America.

Roasting and Marketing of Gourmet Coffee

From Seattle to Chicago to Boston, our latest U.S. market surveys revealed the full potential of Van Houtte's rich coffee flavour. Our brand image is that of a European artisan, who for eighty years has passionately roasted fine coffee, and is dedicated to delivering pure pleasure to his customers. Coffee lovers choose Van Houtte because our small-batch coffee roasting techniques release its full flavour and aroma. It's all about true taste.

The breadth of our complementary networks in the retail food and Coffee Service markets represent a tremendous springboard for rolling out the "Van Houtte" brand.

Orchestrating Van Houtte's branding strategy is an essential priority for the Coffee Group who will target the retail food market, Coffee Services, and direct-to-consumer channels, such as our café-bistro and coffee-bar network. Division Managers are partnering to design and launch innovative "Van Houtte" branded merchandising programs. Hence, Van Houtte's portfolio of branded coffees and the "Caffe Mondo" program have been made available to all North American corporate and franchised Coffee Service branches since April 2000.



The Coffee Group will pursue its own development efforts in the North American retail food industry.

Significant inroads were made in this direction last year. In fact, "Van Houtte" branded products accounted for most of the 18% increase in the Coffee Group's shipments in fiscal 2000. Aside from the acquisition of Gérard Van Houtte Inc. in Quebec and the full contribution of Gold Cup Coffee Company in Western Canada, we implemented our merchandising programs in a multitude of new points of sale across Canada, including some 60 IGA supermarkets in Ontario and Western Canada as well as 77 Coop stores in the Prairies including those of the Calgary Coop outlets, the largest in that city. Building on the coffee expertise of the Corporation's bistros and coffee-bars, who also support the Van Houtte brand, we entered into a strategic alliance with *The Great Canadian Bagel* to market our coffee in their 150 stores.

Roasting and Marketing of Gourmet Coffee

Finally, an initial foray in the United States led to the launch of "Van Houtte" coffee in some 400 Publix grocery stores across Florida and Georgia. The success of this first phase will allow us to implement more complete merchandising programs adapted to selective U.S. markets.

The Coffee Group is committed to leveraging its merchandising expertise and coffee knowledge to help the Van Houtte organization captivate North American consumers... one cup at a time.

JEAN-YVES MONETTE
President, Coffee Group
July 2000

ALAIN LAROCQUE
Vice-President, Sales
Coffee Group

STÉPHANE BREAULT
President
Café-Bistro Division

JEAN-YVES MONETTE
President
Coffee Group

Transforming an innovative technological edge into a world-class concept

Given the key role of single-cup equipment as a showcase and vehicle for our brand image, VKI Technologies, backed by Coffee Services and Coffee Group, also adopted a strategic orientation aimed at consumers. While ensuring that Van Houtte maintains its technological edge, VKI's core mission is to satisfy all participants using single-cup technology: decision-makers who adopt our services, our on-site customer contact and most of all, consumers.

Following an exhaustive survey of its customers' expectations, VKI redirected its R&D efforts to the following equipment features: design enhancement, reliability, taste, beverage variety, and customer convenience and ease.

To support these objectives, VKI hired a coffee specialist, who also works with the Coffee Group and is totally dedicated to determining customer taste profiles and matching coffee and equipment to deliver an optimum cup of coffee.

As a result, the Caffè Mio and Piccolina were launched in early Fiscal 2001. The Caffè Mio is designed for groups of 20 to 40 users and the Piccolina can serve 20 individuals or less. Both models were engineered with a packet system that allows consumers to choose from more than eight "Van Houtte" coffees, as well as tea and hot chocolate. These product line additions extend our market reach and strengthen our Coffee Service business providing more variety and taste to our customers.

In support of Van Houtte's expansion strategy, VKI established a total quality improvement program to address the following aspects:

- *The implementation of a world-class product development process;*
- *The creation of a reliability committee including Coffee Service managers;*
- *Permanent customer survey processes;*
- *Total quality approach aimed at obtaining ISO 9001 certification;*
- *Develop comprehensive training program for Coffee Service technicians.*

Our goal thereby is to support the success of Van Houtte's brand strategy by ensuring that all of our customers benefit from a consistent fine-tasting coffee.

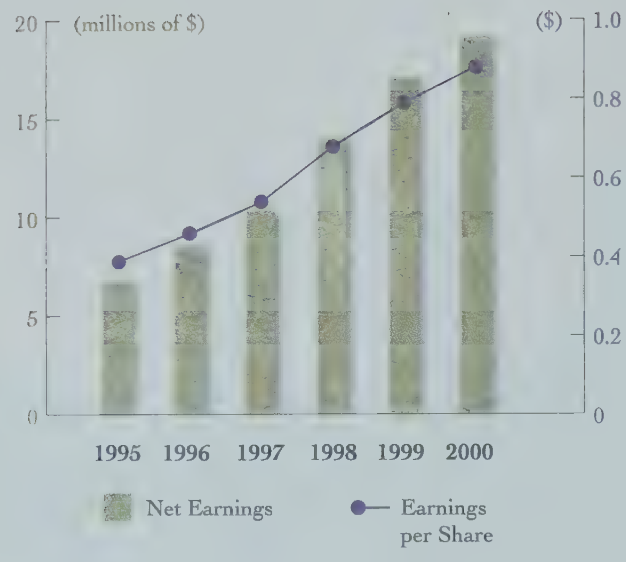
Mario Tougas

MARIO TOUGAS
President, VKI Technologies Inc.
July 2000

MARIO TOUGAS
President, VKI Technologies Inc.

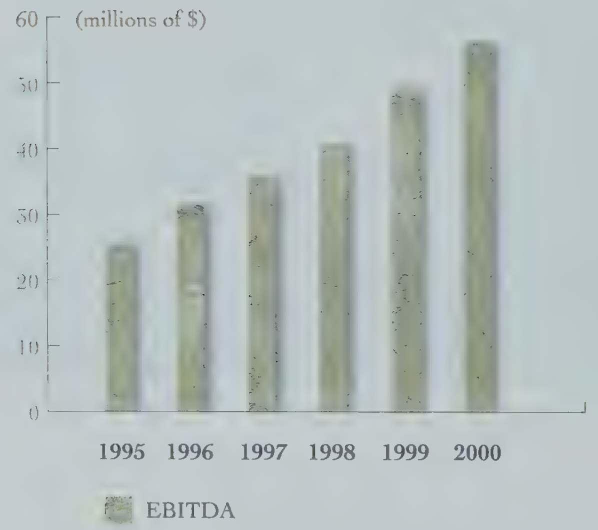
STAN MCLEAN
Chief Designer

At a Glance



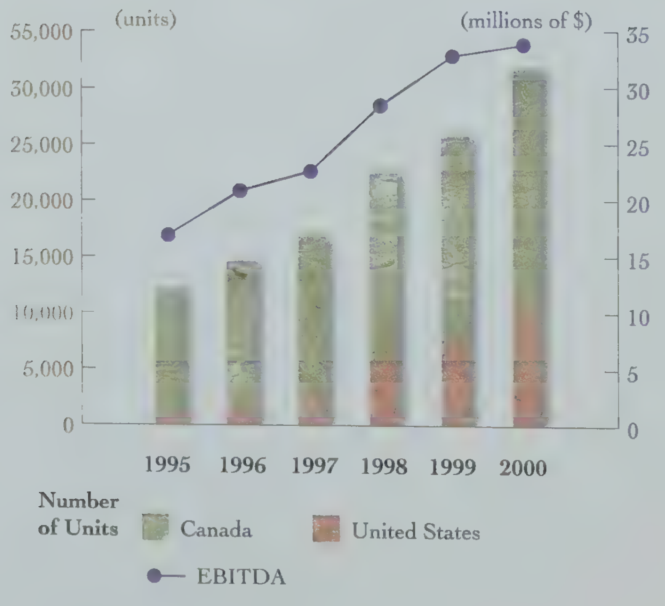
Net Earnings
and Earnings Per Share (fully diluted)

- Annual compound growth rates of 23% for net earnings and 18% for earnings per share
- Aside from significant investments in acquisitions, internal growth was fuelled by Van Houtte's innovative marketing strategies with regards to both the merchandising of gourmet coffee and the development of single-cup technology
- In fiscal 2000, net earnings rose 11% after taking into account $1.6 million in direct expenses related to the implementation of the strategic plan



Consolidated EBITDA

- EBITDA has grown at an annual compound rate of 17% since 1995 due to :
  - An increase in the number of single-cup coffee units installed by the North American corporate-owned branches
  - An increase in coffee shipments to the Canadian retail food sector
- EBITDA increased 14% in fiscal 2000 due to an 18% increase in Coffee Group's shipments and a 23% increase in the number of single-cup units installed



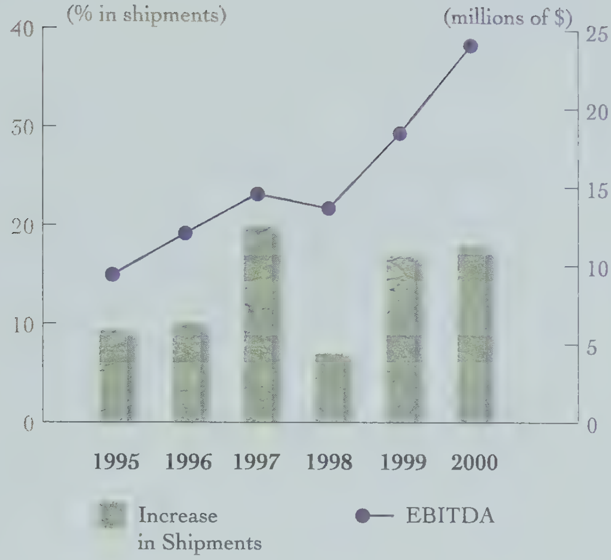
Sectorial EBITDA - Coffee Services
and Number of Corporate Single-Cup Units

- Annual compound growth rate of 15% over the past five years
- Number of coffee brewers installed by the corporate-owned branch network rose from 12,050 to 31,555 over five years
- Number of U.S. corporate-owned coffee units installed rose from 927 in 1995 to 9,954 at April 1, 2000

At a Glance

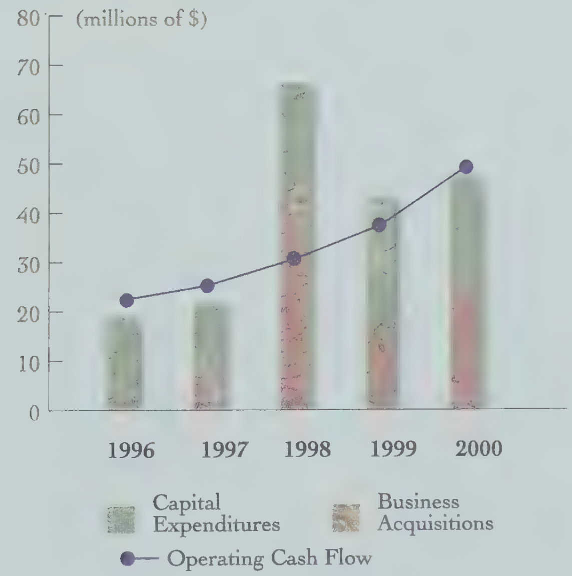
Sectorial EBITDA – Coffee Roasting and Equipment Manufacturing
and Increase in Gourmet Coffee Shipments

- Annual compound growth rate of 21% over the past five years
- During the same period, the Coffee Group increased its shipments by an average of 12% annually
- Aside from two acquisitions in fiscal 1999 and 2000, the Coffee Group implemented its merchandising programs across Canada



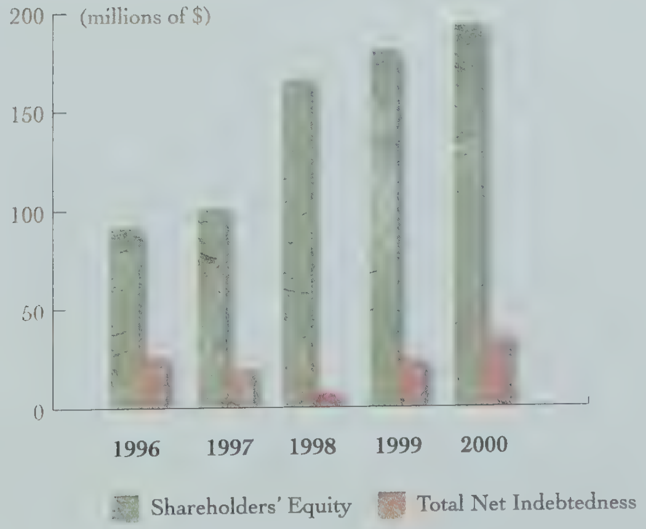
Operating Cash Flow
and Investments in Expansion

- Annual compound growth rate of 17% since 1995 and totalled $158 million over five years
- Operating cash flow generated in fiscal 2000 is $42.4 million
- $197 million in strategic investments, such as:
  - $108 million in capital expenditures
  - $89 million in acquisitions, primarily in the Coffee Service sector



Capital Structure

- Since fiscal 1996, shareholders' equity grew by $110.7 million or 130% and total net indebtedness increased by only $8 million
- Total net debt/equity ratio stood at 18% at April 1, 2000
- Unused credit facilities of $66.6 million at June 30, 2000



Preliminary Comments

The fiscal year ended April 1, 2000 consisted of 52 weeks as opposed to 53 weeks the previous year. With respect to the new strategic plan adopted in fiscal 2000, Van Houtte's segmented information was modified to combine the two production operations, namely Roasting and Marketing of Gourmet Coffees and the Manufacture of Single-Cup Equipment into one single sector. Coffee Services is now presented as a separate sector. The presentation of segmented information for fiscal 1999 has been reclassified accordingly.

Operating Results

For the fiscal year ended April 1, 2000, Van Houtte recorded sales of $250.4 million, up 6.7% over the previous year. Revenues derived from Coffee Services rose 7.8% to $170.3 million, accounting for 68% of the Company's consolidated sales. Roasting and Marketing of Gourmet Coffees and the Manufacture of Single-Cup Equipment generated sales of $80.0 million (after inter-segment eliminations), up 4.4% over fiscal 1999. Due to fluctuations in coffee prices, a more accurate performance indicator is measured by the growth in operating income as opposed to growth in revenues. Van Houtte's revenues are geographically broken down as follows : 20% in the United States, up from 17% last year, 29% in Western Canada, 16% in Ontario, 32% in Quebec, 2% in the Atlantic Provinces and 1% in export markets.

Van Houtte posted operating income before depreciation, amortization, financial expenses, income taxes and other items ("EBITDA") of $55.9 million, up 14% as compared to $49 million in 1999. Additional costs of $1.6 million were incurred to implement our strategic plan, which were fully accounted for in operating results. Of this amount, some $1.2 million was allocated to organizational changes in the Coffee Service sector, including the separation of Vending operations from Coffee Services, strategic planning and market surveys, and the hiring of new managers.

EBITDA from the Coffee Service sector rose 3.4% to $33.8 million representing 58% of total EBITDA. When both fiscal years are compared on an equivalent 52-week basis and restructuring expenses for the strategic plan are eliminated, the growth in Coffee Service EBITDA would have been 9.2%. The North American corporate single-cup equipment base grew by 23% to reach 31,555 coffee brewers installed as at April 1, 2000. The U.S. corporate base grew by 41% to almost 10,000 units at fiscal year-end, approximately four times greater than at the time Van Houtte took exclusive ownership of Filterfresh in September 1997. The 48% growth in fiscal 2000 in the U.S. coffee service EBITDA was largely attributable to internal growth and the acquisitions made in the course of the fiscal year and at the end of the previous fiscal year, namely the North Virginia/Washington, D.C., New England and Cincinnati franchises.

EBITDA from the Roasting and Marketing of Gourmet Coffees and the Manufacture of Single-Cup Equipment sector which rose 30% to $24 million, accounted for 42% of total EBITDA. This solid performance is largely attributable to an 18% increase in the Coffee Group's shipments. Aside from vigorous growth, the Coffee Group notably benefited from Gold Cup Coffee Company's contribution for the entire period as opposed to six months in 1999, and from the acquisition of Gérard Van Houtte Inc. in the first quarter of fiscal 2000.

The considerable investments made in the past fiscal year increased depreciation and amortization expenses by $3.3 million, and interest expenses by $1.0 million. Despite this substantial increase, Van Houtte posted net earnings of $18,971,000 or $0.88 per share, up 11.4% over $17,030,000 or $0.79 per share for the previous fiscal year.

These results are consistent with the objectives established for the first year of the implementation of our strategic plan, whose impact on annual net earnings amounted to $0.05 per share.

Principal Cash Flows and Financial Position

Adding depreciation and amortization of $23 million and other non-cash items to this year's $19 million in net earnings, operating cash flow of $42.4 million or $1.96 per share ($1.91 fully diluted), was up 13.3% over the previous year. After changes in non-cash working capital items, operating activities provided net cash resources of $41.2 million.

We invested $49 million in the Company's expansion in fiscal 2000. Van Houtte purchased $23.7 million in fixed assets ($21.1 million net of disposals), consisting mostly of single-cup equipment and various other assets for the Coffee Service sector. We also invested $24.6 million to acquire some 15 businesses. The main transactions were the acquisition of 100% of Gérard Van Houtte Inc.'s shares, as well as exclusive or majority interests in two Filterfresh franchises and six traditional Coffee Service operators. An amount of $1.2 million of the total acquisition price of Gérard Van Houtte Inc. was financed through the issue of 42,373 subordinate voting shares to the vendors. Finally, an amount of $1.9 million served to increase other assets.

Under a normal course issuer bid initiated on September 17, 1999, Van Houtte purchased for cancellation purposes 182,500 subordinate voting shares for a consideration of $4 million. We also paid our shareholders $3.5 million in dividends, or $0.16 per share, representing a 14% increase over the previous year's dividend. Lastly, the Company issued 88,700 subordinate voting shares for a consideration of $1.1 million, following a private placement and the exercise of stock options held by officers.

Van Houtte maintained an excellent financial position during the last fiscal year. As at April 1, 2000, total net indebtedness (long-term debt including its current portion, less available cash) amounted to $35.3 million, while shareholders' equity reached $193.7 million. The total net debt/equity ratio therefore stood at only 18.2%. Working capital amounted to $32.2 million for a current ratio of 2.1:1. Total assets rose 15% to $269.3 million, due to growth in working capital. Other assets consisting mainly of goodwill on business acquisitions, and fixed assets amounted to $106.2 million at April 1, 2000.

Subsequent Events

In May 2000, we concluded a Cdn$100 million financing arrangement with our principal lenders, in the form of a revolving term loan bearing interest at a floating rate, unsecured and without principal repayment clauses. Some $35 million of this amount was used to refinance existing debt, while the balance will serve primarily to accelerate our expansion in the U.S. Coffee Service market. This new financing instrument, which can be drawn in Canadian or U.S. dollars at the Company's option, is particularly flexible and well adapted to our North American growth strategy.

Also in the first quarter of fiscal 2000, Van Houtte completed two acquisitions and one business merger in the United States and one acquisition in Canada. Through an 80%-owned joint venture, we acquired 80% of two Filterfresh franchises located in Louisville, Kentucky and Columbus, Ohio. In addition, we combined our corporate outlet in Atlanta with the Filterfresh franchise operating in the same city to form a joint-venture 25%-owned by Van Houtte. This initiative will enable us to accelerate growth in this dynamic region.

Finally, in June 2000, as part of a private placement with an investment fund, Van Houtte issued 150,000 subordinate voting shares at a price of $24.75 per share, for total proceeds of $3.7 million.

Outlook, Requirements and Sources of Funds for Fiscal 2000-2001

For fiscal 2001, aside from intensifying growth in our two strategic sectors, especially in the United States, we will allocate $2 million to complete the implementation of the strategic plan. These expenses will be geared primarily to Coffee Service M.I.S. development and integration, training activities and the implementation of our customer satisfaction programs.

Despite these substantial costs, we are confident that Van Houtte will achieve growth of 10% or more in net earnings, due to the sustained performance of our manufacturing and marketing activities and accelerated growth for our single-cup Coffee Service operations. In this regard, aside from the expansion of the equipment base, we expect to increase coffee consumption per unit. In addition, the launch of new models and further development of the "Caffe Mondo" program should also contribute to these objectives.

We plan to invest approximately $28 million in the purchase of fixed assets and we will pursue our acquisition program. Combined with an expected operating cash flow in excess of $45 million, our financing agreement will provide us with sufficient funds to finance this expansion. It should be noted that as at June 30, 2000, Van Houtte had unused credit facilities of $66.6 million.

Dividend Policy

Van Houtte intends to maintain the dividend policy as established by the Board of Directors. This policy consists in determining at mid-year the appropriateness of paying a dividend and, if so, the amount of such dividend is based on the Company's financial position and investment plans. A dividend of $0.16 per share was paid in fiscal 2000 corresponding to approximately 10% of the previous year's operating cash flow.

Gérard Geoffrion

Gérard Geoffrion
Executive Vice-President
July 2000

Management's Report

The consolidated financial statements contained in this annual report have been prepared in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. All other information in the annual report is consistent with the information and data contained in the financial statements.

In support of its responsibility, management maintains a system of internal control to provide assurance as to the reliability of financial information and the safeguarding of assets. The Board of Directors is responsible for the financial statements. Its Audit Committee reviews the contents of the financial statements prior to their approval by the Board of Directors.

The external auditors, KPMG, conduct an independent examination in accordance with generally accepted auditing standards and express their opinion on the financial statements. Their report is presented below.

Paul-André Guillotte
President and Chief Executive Officer

Gérard Geoffrion

Gérard Geoffrion
Executive Vice-President

May 23, 2000

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of A.L. Van Houtte Ltée as at April 1, 2000 and April 3, 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 1, 2000 and April 3, 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.

KPMG LLP

Chartered Accountants

Montréal, Canada
May 23, 2000

Consolidated Statements of Earnings

Years ended April 1, 2000 and April 3, 1999
(In thousands of dollars, except for earnings per share data)

	2000	1999
Revenues	$250,352	$234,614
Cost of goods sold and operating expenses (Note 2a)	194,492	185,612
	55,860	49,002
Depreciation and amortization	22,972	19,664
	32,888	29,338
Financial expenses (Note 2b)	2,252	1,278
Income before the undernoted items	30,636	28,060
Income taxes (Note 3):		
Current	10,673	9,721
Deferred	889	1,313
	11,562	11,034
	19,074	17,026
Equity in net earnings of companies subject to significant influence	(37)	56
Non-controlling interest	(66)	(52)
Net income	$ 18,971	$ 17,030
Earnings per share	$ 0.88	$ 0.79
Diluted earnings per share	$ 0.88	$ 0.79
Average number of shares outstanding (in thousands)	21,645	21,617

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended April 1, 2000 and April 3, 1999
(In thousands of dollars)

	2000	1999
Retained earnings, beginning of year	$ 57,737	$ 43,746
Net income	18,971	17,030
	76,708	60,776
Dividends	3,461	3,027
Premium paid on redemption of subordinate voting shares	2,557	–
Share issue expenses (net of related taxes of $11) (Note 9)	19	12
Retained earnings, end of year	$ 70,671	$ 57,737

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

April 1, 2000 and April 3, 1999
(In thousands of dollars)

	2000	1999
Assets		
Current assets:		
Cash	**$ 5,896**	$ 835
Accounts receivable	**31,545**	26,626
Inventories (Note 4)	**20,900**	19,211
Prepaid expenses	**2,083**	2,395
	60,424	49,067
Investments (Note 5)	**5,150**	3,646
Fixed assets (Note 6)	**106,232**	98,981
Other assets (Note 7)	**97,482**	81,801
	$269,288	$233,495
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 26,374**	$ 23,110
Income taxes payable	**1,152**	653
Current portion of long-term debt (Note 8)	**663**	754
	28,189	24,517
Long-term debt (Note 8)	**40,501**	23,217
Deferred income taxes	**4,097**	3,134
Non-controlling interest	**2,790**	2,417
Shareholders' equity:		
Capital stock (Note 9)	**123,395**	122,473
Retained earnings	**70,671**	57,737
Currency translation adjustment (Note 10)	**(355)**	–
	193,711	180,210
Commitments (Note 11)		
Contingencies (Note 12)		
	$269,288	$233,495

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Paul-André Guillotte
Director

Christian Pouliot
Director

Consolidated Statements of Cash Flows

Years ended April 1, 2000 and April 3, 1999
(In thousands of dollars)

	2000	1999
Cash flows from operating activities:		
Net income	**$ 18,971**	$ 17,030
Adjustments for:		
Depreciation of fixed assets	**19,983**	17,280
Amortization of other assets	**2,989**	2,384
Deferred income taxes	**889**	1,313
Non-controlling interest	**66**	52
Equity in net earnings of companies subject to significant influence, net of dividends received	**40**	(32)
Gain on disposal of fixed assets	**(97)**	(297)
Gain on sale of businesses	**–**	(281)
Gain on foreign exchange	**(404)**	(283)
	42,437	37,166
Changes in non-cash balances related to operations (Note 13)	**(1,273)**	(7,782)
	41,164	29 384
Cash flows from investing activities:		
Business acquisitions, including cash deficiency assumed (Note 14)	**(23,398)**	(13,188)
Additions to fixed assets	**(22,713)**	(29,181)
Proceeds from disposal of fixed assets	**2,532**	1,213
Proceeds from disposal of an investment	**64**	691
Increase in other assets	**(1,934)**	(1,758)
Acquisitions of investments	**–**	(628)
	(45,449)	(42,851)
Cash flows from financing activities:		
Issue of subordinate voting shares	**1,142**	271
Redemption of subordinate voting shares for cancellation	**(3,984)**	–
Share issue expenses	**(30)**	(20)
Increase in long-term debt	**15,621**	12,154
Dividends	**(3,461)**	(3,027)
Investment by non-controlling shareholders in a subsidiary	**234**	49
Dividends paid to non-controlling shareholders	**(113)**	(157)
	9,409	9,270
Effect of exchange rate changes on cash denominated in foreign currency	**(63)**	283
Increase (decrease) in cash	**5,061**	(3,914)
Cash, beginning of year	**835**	4 749
Cash, end of year	**$ 5,896**	$ 835

See accompanying notes to consolidated financial statements.

Years ended April 1, 2000 and April 3, 1999
(Tabular amounts are expressed in thousands of dollars)

Note 1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Change in accounting policy:
Effective in 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of the Statement of Cash Flows. The standard requires, among other things, that non-cash items be excluded from financing and investing activities and disclosed elsewhere in the financial statements in a way that provides all relevant information regarding financing and investment activities. Changes in short-term borrowings, other than overdrafts which are an integral part of the day-to-day cash management process, are accounted for as financing activities. The standard requires retroactive application with prior-periods comparative information being restated.

(b) Consolidation and long-term investments:
The consolidated financial statements include the accounts of A.L. Van Houtte Ltée and all its subsidiaries (the "Company"). The major subsidiaries are Red Carpet Food Systems Inc., Selena Coffee Inc., Filterfresh Corporation, VKI Technologies Inc., Gold Cup Coffee Company Ltd., Les Cafés Orient Express Ltée, Selena Coffee Ltd. and Gérard Van Houtte Inc.

Investments in joint ventures are accounted for using the proportionate consolidation method. Joint ventures represent a negligible portion of the Company's operations. Investments in companies subject to significant influence are accounted for by the equity method.

(c) Inventories:
Raw materials are stated at the lower of cost, based on the first in, first out method, and replacement value. Finished goods and work in process are stated at the lower of average cost and net realizable value.

Raw materials are accounted for at the purchase price set out under the terms and conditions of forward contracts.

(d) Fixed assets:
Fixed assets are stated at cost, net of any investment tax credits which are accounted for when qualified expenditures are incurred. Interest expense and other direct costs relating to major capital projects are capitalized to the cost of fixed assets until the commercial production stage.

Depreciation is calculated using the following methods and rates:

Asset	Method	Rate
Coffee service equipment and vending machines	Declining balance	16.67%
Other fixed assets	Straight-line	3% to 33%
Leasehold improvements	Straight-line	Term of lease

(e) Goodwill and other assets:
Goodwill, which represents the excess of the purchase price over the fair value of net assets of businesses acquired, is amortized over a period ranging from 10 to 40 years. The Company reviews the recoverability of goodwill on a regular basis by determining whether the unamortized value can be recovered through projected future undiscounted cash flows of the business acquired. Any permanent decline in the book value of goodwill is charged to income.

Other assets, which include deferred charges, are amortized over a period ranging from 3 to 10 years.

(f) Foreign currency translation:
Net assets of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded as a separate item under shareholders' equity and are included in income only when a reduction in the investment in these foreign operations is realized. Gains or losses on foreign currency balances or transactions that are designated as hedges of a net investment in self-sustaining foreign operations are offset against exchange losses or gains included in the separate item under shareholders' equity.

Other foreign currency transactions entered into by the Company are translated using the temporal method. Translation gains and losses are included in the Statement of Earnings.

(g) Use of estimates:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements as well as the revenue and expenses for the year. Actual results could differ from those estimates.

(h) Derivative financial instruments:
The Company uses various derivative financial instruments to reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. These instruments are accounted for on an accrual basis. Realized and unrealized gains and losses on these financial instruments are deferred and recognized in income in the same period and in the same financial statement category as the income or expense arising from the corresponding hedged positions.

(Tabular amounts are expressed in thousands of dollars)

Note 1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(i) Deferred income taxes:
The Company follows the tax deferral method of accounting for income taxes, whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and taxes currently payable are accounted for and arise because certain items of revenue and expense are reported in the accounts at different times than they are reported for income tax purposes.

(j) Stock option plan:
The Company offers a stock option plan as described in Note 9. No compensation expense is recorded under this stock option plan when options are granted. All consideration received from the beneficiaries when options are exercised is credited to the capital stock.

Note 2. INFORMATION ON EARNINGS:

(a) Cost of goods sold and operating expenses:
During the year, the Company received government grants of \$347,854 (1999 - \$577,762) with respect to its research and development activities. This amount was charged against the cost of goods sold and operating expenses for the year.

(b) Financial expenses:

	2000	1999
Interest on long-term debt	$ 2,252	$ 1,242
Interest on short-term borrowings	–	36
	$ 2,252	$ 1,278

Note 3. INCOME TAXES:

The following table reconciles the statutory tax rate with the effective tax rate:

	2000	1999
Combined statutory tax rate	**39.1 %**	39.0 %
Manufacturing and processing deduction	**(1.7)**	(1.4)
Amortization of goodwill	**0.1**	1.2
Non-deductible expenses	**0.3**	0.3
Other items	**(0.1)**	0.2
Effective tax rate	37.7 %	39.3 %

Note 4. INVENTORIES:

	2000	1999
Raw materials	$ 7,683	$ 4,830
Work in process	845	1,075
Finished goods	12,372	13,306
	$ 20,900	$ 19,211

Note 5. INVESTMENTS:

	2000	1999
Shares in companies subject to significant influence, voting and participating	$ 2,224	$ 1,411
Advance to companies subject to significant influence	2,926	2,235
	$ 5,150	$ 3,646

Years ended April 1, 2000 and April 3, 1999
(Tabular amounts are expressed in thousands of dollars)

Note 6. FIXED ASSETS:

			2000
	Cost	Accumulated depreciation	Net book value
Land	$ 1,624	$ –	$ 1,624
Buildings	12,254	2,886	9,368
Coffee service equipment and vending machines	121,732	56,202	65,530
Machinery and equipment	30,871	16,526	14,345
Furniture, computer equipment and leasehold improvements	19,804	10,408	9,396
Automotive equipment	12,228	6,259	5,969
	$198,513	$ 92,281	$ 106,232

			1999
	Cost	Accumulated depreciation	Net book value
Land	$ 1,192	$ –	$ 1,192
Buildings	10,041	1,918	8,123
Coffee service equipment and vending machines	109,616	48,229	61,387
Machinery and equipment	24,552	12,148	12,404
Furniture, computer equipment and leasehold improvements	18,455	8,333	10,122
Automotive equipment	10,880	5,127	5,753
	$ 174,736	$ 75,755	$ 98,981

Note 7. OTHER ASSETS:

	2000	1999
Goodwill, at amortized cost	$ 95,651	$ 80,587
Other assets, at amortized cost	1,831	1,214
	$ 97,482	$ 81,801

Note 8. LONG-TERM DEBT:

	2000	1999
Revolving term loan, expiring on August 31, 2001, extendable annually for a one-year term. As at August 31, 2001 or at the end of the last extension term, 50% of the capital is repayable in 5 equal annual instalments and the outstanding balance is payable at the end of the fifth year. The revolving loan may be used as bankers' acceptances, fixed rate advances or advances at prime rate. Certain shares of the subsidiaries have been pledged (Note 16)	$ 34,230	$ 17,362

(Tabular amounts are expressed in thousands of dollars)

Note 8. LONG-TERM DEBT (continued):

	2000	1999
Mortgage loan, 11.75%, repayable in blended monthly installments of $18,000 until November 1, 2003, including principal and interest, secured by land and building having a net book value of $4,322,000	1,637	1,661
Mortgage loan, 10.88%, repayable in blended monthly installments of $15,114 until May 1, 2002, expiring in May 2007, including principal and interest, secured by land and building having a net book value of $1,445,000	907	981
Due to non-controlling shareholders (US$1,400,000), bearing interest at 12%, expiring on December 31, 2002	2,035	2,105
Other	2,355	1,862
	41,164	23,971
Less current portion	663	754
	$ 40,501	$ 23,217

In accordance with the terms of various borrowing agreements and given the refinancing activities projected by management, the Company will make the following repayments over the next five years:

2001	$ 663
2002	443
2003	2,483
2004	1,871
2005	197

Note 9. CAPITAL STOCK:

	2000	1999
Authorized:		
Unlimited number of multiple voting shares with voting rights of five votes per share, participating and without par value		
Unlimited number of subordinate voting shares with voting right of one vote per share, participating and without par value		
Unlimited number of Classes A and B preferred shares, issuable only in series, non-voting and without par value		
Issued and paid:		
5,800,000 multiple voting shares	$ 387	$ 387
15,773,099 subordinate voting shares (15,824,526 shares in 1999)	123,008	122,086
	$ 123,395	$122,473

(Tabular amounts are expressed in thousands of dollars)

Note 9. CAPITAL STOCK (continued):

(a) Share issue and repurchase:
On May 3, 1999, as part of the consideration paid to acquire a business, 42,373 subordinate voting shares were issued for a consideration of $1,200,000.

On December 24, 1999, part of a private investment, 35,000 subordinate voting shares were issued for a consideration of $742,000. Share issue expenses were recorded as a reduction of retained earnings.

During the year, 182,500 subordinate voting shares were redeemed for a consideration of $3,967,610. The excess of the price paid over the average cost of these shares as well as the redemption expenses were recorded as a reduction of retained earnings.

During the year, 53,700 subordinate voting shares were issued upon the exercise of stock options, for a consideration of $400,475.

(b) Stock option plan:
Under a stock option plan, 1,650,000 subordinate voting shares were reserved for certain executives of the Company. The exercise price of each option is determined by the closing trading price of the subordinate voting shares on the business day preceding the grant.

The following table provides details regarding changes to outstanding options for the years ended April 1, 2000 and April 3, 1999:

	2000		1999	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning	**1,353,400**	**$18.76**	791,500	$ 9.85
Granted (cancelled)	**(124,199)**	**21.79**	601,400	29.70
Exercised	**(53,700)**	**7.46**	(39,500)	6.85
Balance at end of year	**1,175,501**	**$18.95**	1,353,400	$18.76
Vested options at end of year	**345,300**	**$ 8.23**	425,100	$ 8.18

The following table provides summary information regarding outstanding options as at April 1, 2000:

	Outstanding options			Vested options	
Range of exercise price	Number of outstanding options as at April 1, 2000	Weighted average years to maturity	Weighted average exercise price	Number of vested options as at April 1, 2000	Weighted average exercise price
5 @ $10	468,800	4.2	$ 6.73	308,800	$ 6.63
10 @ 15	16,000	6.9	14.00	4,000	14.00
15 @ 20	39,000	7.2	15.75	7,000	15.75
20 @ 25	156,000	8.2	22.93	20,000	23.20
25 @ 30	475,701	8.2	29.63	5,500	30.00
30 @ 35	20,000	8.2	30.75	–	–
5 @ $35	1,175,501	6.5	$18.95	345,300	$ 8.23

Note 10. CURRENCY TRANSLATION ADJUSTMENT:

At the beginning of the year, the Company determined that Filterfresh Corporation, a wholly-owned subsidiary, previously considered as an integrated foreign operation, has been designated as a self-sustaining foreign operation.

Consequently, all the assets and liabilities of this operation were translated at the beginning of the year at the prevailing exchange rate, resulting in a translation adjustment of $278,224. This translation adjustment was recorded under shareholders' equity.

Years ended April 1, 2000 and April 3, 1999
(Tabular amounts are expressed in thousands of dollars)

Note 10. CURRENCY TRANSLATION ADJUSTMENT (continued):

	2000	1999
Balance at beginning	$ –	$ –
Effect of the translation using the current exchange rate on net assets of Filterfresh Corporation	278	–
Effect of exchange rate variation on translation of net assets of Filterfresh Corporation	(633)	–
Balance at end	$ (355)	$ –

Note 11. COMMITMENTS:

Leases:

The Company rents premises and equipment under operating leases which expire at various dates until 2009 and for which gross rents total $18,132,000. Of this amount, a portion of $9,731,000 is assumed by the franchisees of the Company. Annual payments under these leases for the next five years are as follows:

	Gross	Franchisees	Net
2001	$ 4,220	$ 1,761	$ 2,459
2002	3,598	1,695	1,903
2003	3,092	1,592	1,500
2004	2,425	1,456	969
2005	1,933	1,181	752

Note 12. CONTINGENCIES:

The Company is involved in various lawsuits and claims. Management and the Company's legal counsel are of the opinion that the resolution of these claims would have no material impact on the Company's financial position or results.

Note 13. ADDITIONAL INFORMATION ON CASH FLOWS:

	2000	1999
Operating activities:		
Changes in non-cash balances related to operations:		
(Increase) decrease of the undernoted items:		
Accounts receivable	$ (4,835)	$ (3,929)
Inventories	(1,689)	(1,180)
Prepaid expenses	312	(810)
(Decrease) increase of the undernoted items:		
Accounts payable and accrued liabilities	2,939	(2,375)
Income taxes payable	501	100
Working capital acquired	1,499	412
	$ (1,273)	$ (7,782)
Cash payments of interest and income taxes were as follows:		
Cash interest payments	$ 2,875	$ 2,005
Cash payments for income taxes	$ 10,918	$ 9,490

Years ended April 1, 2000 and April 3, 1999
(Tabular amounts are expressed in thousands of dollars)

Note 14. BUSINESS ACQUISITIONS:

During the year, the Company acquired all of the issued and outstanding shares of Gérard Van Houtte Inc. as well as the assets and working capital of other coffee service businesses for a total consideration of $23,790,000. Of this amount, an amount of $1,200,000 was paid by the issuance of 42,373 subordinate voting shares with a balance for a cash consideration of $22,590,000. Moreover, an amount of $309,000 was paid in cash for the acquisition of Gold Cup Coffee Company Ltd. for which the purchase agreement allows for the purchase price to be increased subject to a maximum, cumulative earn-out provision of $5,327,000 by the end of fiscal year from 1999 to 2001, based on a pre-determined formula at the time of the acquisition. This amount was recorded as goodwill.

The acquisitions are summarized as follows:

Assets acquired:	
Non-cash operating working capital	$ 1,499
Investments	2,926
Fixed assets	4,799
Other assets	302
Goodwill	16,013
	25,539
Liabilities assumed:	
Cash deficiency	499
Deferred income taxes	89
Long-term debt	648
	1,236
Non-controlling interest	204
Net assets acquired at fair value	$ 24,099
Consideration:	
Cash	$ 22,899
Subordinate voting shares	1,200
	$ 24,099

Note 15. FINANCIAL INSTRUMENTS:

(a) Foreign exchange risk:

The Company makes some of its purchases in US dollars and enters into various types of foreign exchange forward contracts in order to manage its foreign exchange risk. The Company does not hold nor issue such financial instruments for trading purposes. As at April 1, 2000 and April 3, 1999, the amount of these contracts was not significant and their fair value approximated their book value.

The Company does not foresee any failure by the counterparties to these contracts as they are financially-sound Canadian banks.

(b) Credit risk:

The Company does not have a significant exposure to any individual customer nor counter-party. The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors such as the credit risk for specific customers, historical trends and other information.

(c) Fair value of financial instruments:

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value because of the near-term maturity of these instruments. The carrying value of the revolving term loan and other debt approximates its fair value, as the interest rates vary based on market rate. The fair value of mortgage loans and of the amount due to non-controlling shareholders, calculated at the value of contractual future payments of principal and interest, discounted at the current market rate of interest available to the Company for the same type of debt instrument, is $5,036,702 (1999 - $5,536,747).

Note 16. SUBSEQUENT EVENT:

On April 13, 2000, the Company has concluded with its bankers, a CDN$100 million financing in the form of a revolving term loan bearing interest at floating rate, unsecured and without principal repayment clause.

Years ended April 1, 2000 and April 3, 1999
(Tabular amounts are expressed in thousands of dollars)

Note 17. SEGMENTED INFORMATION:

In accordance with the Corporation's new strategic plan, business segments have been reclassified as follows:

(a) Manufacturing of single-cup brewing equipment, roasting and marketing of coffee;

(b) Coffee services.

Segment income includes income from sales to third parties and inter-segment sales. These sales are accounted for at prevailing market prices.

	2000	1999
Business segments		
Revenues:		
Manufacturing and marketing	$ 110,477	$ 108,072
Coffee service	170,315	157,983
Intersegment	(30,440)	(31,441)
	$ 250,352	$ 234,614
Operating income before depreciation and amortization and financial expenses:		
Manufacturing and marketing	$ 23,995	$ 18,372
Coffee service	33,800	32,695
	57,795	51,067
General corporate expenses	(1,935)	(2,065)
	$ 55,860	$ 49,002
Assets:		
Manufacturing and marketing	$ 95,609	$ 94,224
Coffee service	187,833	154,658
Intersegment	(14,154)	(15,387)
	$ 269,288	233,495
Additions to fixed assets:		
Manufacturing and marketing	$ 3,331	$ 6,858
Coffee service	20,348	22,945
	$ 23,679	$ 29,803
Depreciation and amortization:		
Manufacturing and marketing	$ 5,811	$ 3,779
Coffee service	17,161	15,885
	$ 22,972	$ 19,664
Geographic segments		
Revenues generated by operations:		
Canada	$ 198,713	$ 190,822
United States	49,065	41,037
Other countries	2,574	2,755
	$ 250,352	$ 234,614
Capital assets:		
Canada	$ 86,671	$ 81,847
United States	19,561	17,134
	$ 106,232	$ 98,981

Note 18. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Corporate Information

Directors

Pierre Van Houtte
Chairman
A.L. Van Houtte

Paul-André Guillotte
President and Chief Executive Officer
A.L. Van Houtte

Benoît Beauregard
Vice-Chairman
A.L. Van Houtte

Pierre-Luc Van Houtte
Corporate Secretary
A.L. Van Houtte
President
Les Confiseries Le Farfadet

Christian Pouliot
President, Coffee Services
A.L. Van Houtte

Michael Gray
President and Chief Operating Officer
Performance Food Group Company

Jocelyne Pelchat
President
Entreprises Pelchat Moïse Inc.

Michel Ouellet
Corporate Director

Yvon Julien
Corporate Director

Jean Douville
President and Chief Executive Officer
UAP Inc.

Jean Chagnon
President
Lallemand Inc.

Audit Committee

Yvon Julien, Chairman
Jean Chagnon
Jocelyne Pelchat

Compensation and Corporate Governance Committee

Jean Douville, Chairman
Jean Chagnon
Yvon Julien

Banking Institutions

Royal Bank of Canada
Scotia Bank

Transfer Agent

Montreal Trust

Auditors

KPMG LLP

Financial Communications

Lefebvre Financial Communications Inc.

Head Office

A.L. Van Houtte
8300-19th Avenue
Montreal, Quebec
H1Z 4J8
Tel.: (514) 593-7711
Fax: (514) 593-8755
Web site: www.alvanhoutte.com

Stock Information (July 6, 2000)

Initial public offering:
August 1987 ($2.50*)
Number of shares outstanding:
5,500,000 multiple voting shares (5 votes)
16,141,499 subordinate shares
High/low for last 12 months: $29.00 / $18.00
Trading volume: 5,185,995
* Reflecting 1997 stock-split.

A.L. Van Houtte's Annual, General and Special Meeting of Shareholders will be held on September 12, 2000 at 11:00 a.m. at the Omni Hotel, Saisons A Room, 1050 Sherbrooke Street West, Montreal, Quebec.

The Company's Annual Information Form for the fiscal year ended April 1, 2000 will be available at Head Office as of August 18, 2000.

Ce rapport annuel est également disponible en français.

■ Textes Lefebvre Financial Communications Inc. ■ Graphic Design Mosaïc Design Communication Inc.


A·L·VAN HOUTTE

AR 70

VH / TSE
TSE 300 Member
$22.40
(July 21, 2000)

Investor Fact Sheet

PROFILE

FOUNDED IN 1919, VAN HOUTTE IS ONE OF NORTH AMERICA'S LEADING GOURMET COFFEE ROASTERS, MARKETERS AND DISTRIBUTORS.

For 80 years, its knowledge of consumers' tastes and sense of innovativeness have established Van Houtte as a leader in previously unexplored markets, such as single-cup coffee services. In support of its growth strategy, the Company invested more than $300 million over the past decade to build the best-integrated, and among the most modern infrastructures in the industry. Today, Van Houtte pools three complementary groups of expertise within two major sectors, that enable it to offer North American consumers, whether at home, at the office or at a restaurant, unique concepts combining gourmet coffees, cutting-edge technologies and service expertise.

COFFEE SERVICES

Selena Coffee
Red Carpet
Filterfresh

- One of the largest coffee service organizations in North America, and No. 1 in Canada
- A pioneer and North American leader in single-cup technology providing freshly brewed coffee, all the time
- 63 corporate outlets and 33 franchises, located across Canada and in 28 American states
- 31,555 corporate single-cup coffee brewers continent-wide (and 13,484 others operated by American franchisees)
- 2,000,000 consumers served daily in 98 of the largest cities across North America

ROASTING & MARKETING OF GOURMET COFFEES AND MANUFACTURE OF SINGLE-CUP EQUIPMENT

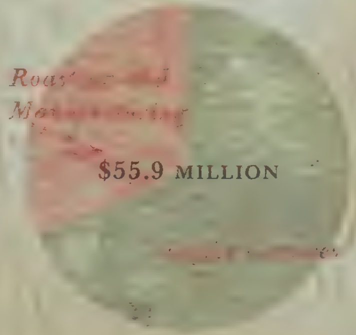
Coffee Group

- Largest Canadian roaster and distributor of gourmet coffees to food retailers
- Present from coast to coast: more than 2,000 supermarkets across Canada, and thousands of other retail outlets (convenience stores, drugstores, superstores, restaurants, etc.)
- Leading edge technologies such as profile roasting which maximizes coffee flavour and variety
- One of the most extensive selections of refined products and most innovative merchandising programs in North America
- Pioneer and leader in Quebec the operation of café-bistros and coffee-bars (73 franchises, licenses and corporate sites)

VKI Technologies

- Inventor of single-cup technology
- Leading designer, manufacturer and distributor of these sophisticated single-cup equipment in North America

EBITDA BREAKDOWN FOR THE LAST FISCAL YEAR



80 Years of Excellence and Innovation in the Gourmet Coffee Industry

PHASE I **1919-1980**

Van Houtte establishes its roasting expertise and brand image in the Montreal fine coffee market

PHASE II **1980-1992**

Van Houtte redefines the "coffee category" in the Quebec retail sector: pioneer in grocery stores and café-bistros

PHASE III **1992-1999**

Van Houtte expands into coffee services and creates a new category in North America:

SINGLE-CUP BREWING

SINCE 1992, VAN HOUTTE HAS INVESTED $175 MILLION TO ACQUIRE SOME 50 BUSINESSES, PRIMARILY COFFEE SERVICE OPERATORS, AND CLOSE TO $125 MILLION IN THE PURCHASE OF FIXED ASSETS: SINGLE-CUP COFFEE BREWERS, AND FINE COFFEE ROASTING, DISTRIBUTION AND RETAILING FACILITIES.

The ABCs of our Strategic Plan

Captivate consumers with a Fine-Tasting coffee experience supported by a strong brand image

Satisfy and expand our customer base

Grow through acquisitions and strategic alliances

Build a powerful engine for profitable, long-term growth

Maximize shareholder value

Financial Highlights

Fiscal years ended (in thousands of dollars except per-share data)	**April 1, 2000**	April 3, 1999	March 28, 1998	March 29, 1997	March 30, 1996	April 1, 1995	Compound Annual Growth
Operating revenues	**$250,352**	$234,614	$207,067	$170,717	$164,102	$131,490	13.7%
EBITDA	**55,860**	49,002	40,410	35,627	31,432	25,215	17.2%
Net earnings	**18,971**	17,030	13,952	10,331	8,531	6,676	23.2%
• fully diluted per share	**0.88**	0.79	0.68	0.54	0.46	0.39	17.7%
Cash flow from operations	**42,437**	37,449	30,512	25,056	22,253	18,259	18.4%
• fully diluted per share	**1.91**	1.68	1.48	1.32	1.19	1.06	12.5%
Average number of shares outstanding (thousands)	**21,645**	21,625	21,585	16,541	16,524	16,504	
Purchase of fixed assets	**$ 23,679**	$ 29,878	$ 23,045	$15,610	$ 16,103	$ 9,175	
Business acquisitions	**24,598**	13,188	43,058	5,638	2,700	61,779	
Dividend per share	**0.16**	0.14	0.10	0.085	0.08	0.075	

Stock Market Information (July 6, 2000)

Initial public offering: August 1987 ($2.50*)

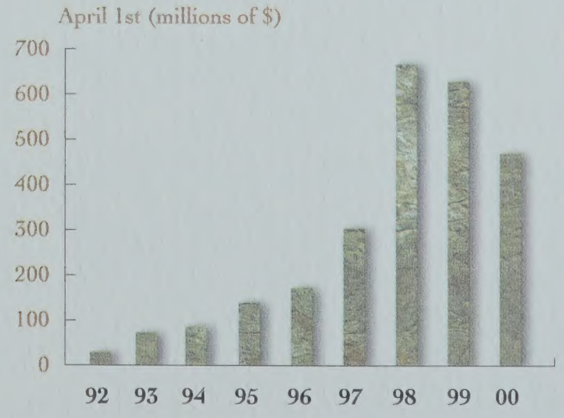
Number of shares outstanding:
5,500,000 multiple voting shares (5 votes)
16,141,499 subordinate shares

High/low for last fiscal year: $29.00 / $18.00

Trading volume: 5,185,995

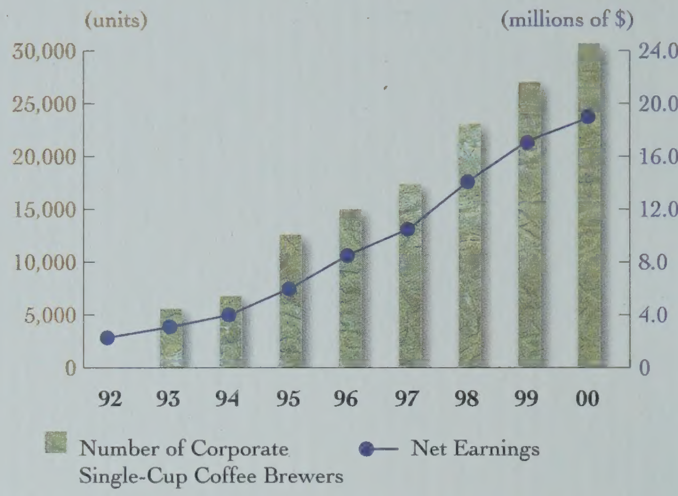
* Reflecting 1997 stock-split.

Market Capitalization



Between 1993 and 2000, the size of Van Houtte's single-cup equipment base increased more than six-fold to 31,555 units today, an unparalleled base in North America.

- Van Houtte has extended its presence in all Canadian provinces and 28 American states.
- Aside from capturing a dominant share of the Canadian market (more than 45%), it has established a network of 16 corporate branches in the United States, as well as 33 franchises.
- The Coffee Group has expanded its presence Canada-wide and increased its shipments by an average of 12% annually, clearly outperforming the industry.
- During the same period, Van Houtte's net earnings have grown at an annual compound rate of 23%.



Phase IV 2000 –

Captivate North American consumers... one cup at a time... with Van Houtte's fine-tasting coffees and innovative merchandising concepts

During the last fiscal year, the Company adopted a new strategic vision and a North American expansion plan. The objectives:

Excellence at all levels

- Align the Coffee Group's roasting and merchandising strengths, the Coffee Service network's expertise and VKI's product innovation capabilities to offer consumers the unique Van Houtte experience

Branding and marketing

- Establish Van Houtte's brand image among North American consumers as the most accessible fine coffee roaster

Continental leadership

- Grow the number of single-cup sites through acquisitions and internal development, and increase coffee consumption per site
- Complete the coverage of the retail food industry in Canada and penetrate certain target markets in the United States

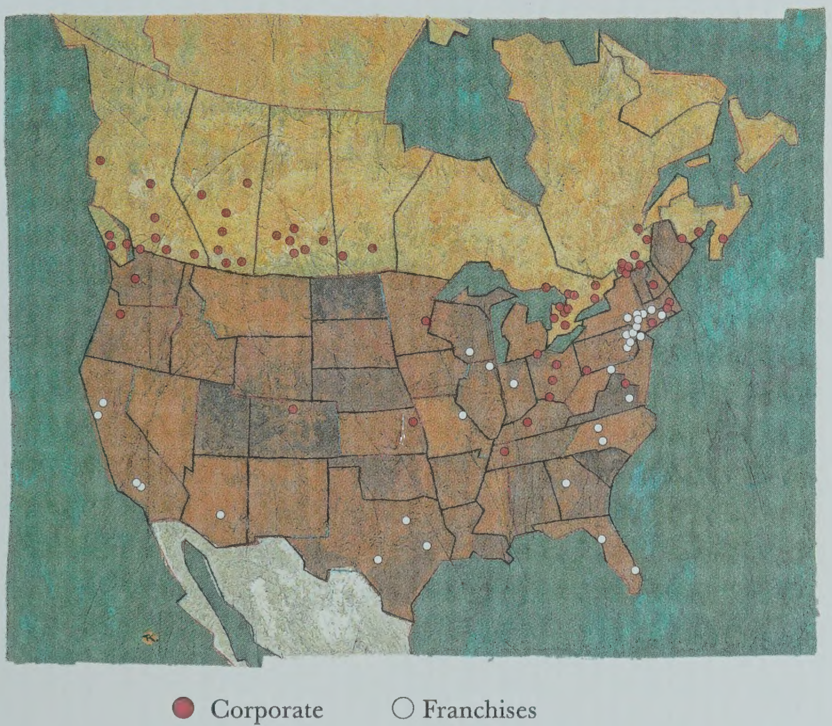
Most of Van Houtte's growth in the coming years will come from the United States, especially in coffee services: a high-potential market worth over US$3 billion annually.

- Throughout North America, there is a growing craving for gourmet coffee experiences, whether at home, in the work-place or elsewhere.
- The U.S. coffee service market remains highly fragmented and rather unfamiliar with single-cup technology.
- In Quebec, where Selena Coffee has marketed single-cup technology since 1979, Van Houtte operates 130 single-cup coffee brewers per 100,000 inhabitants. This proportion averages 49 in the rest of Canada and only 9 in the United States.

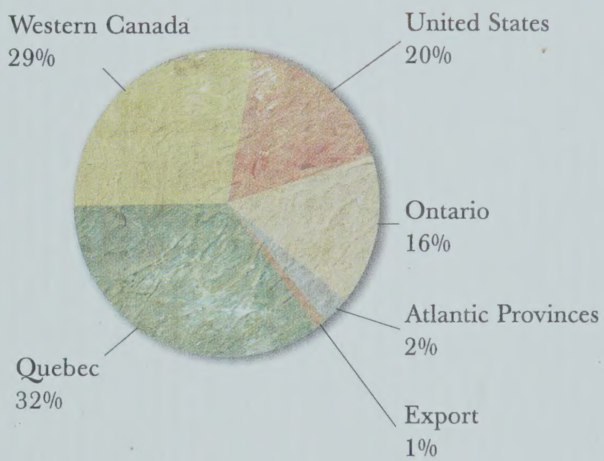
Van Houtte is positioned to offer consumers what they want: Richer-tasting coffee, always available... and just about everywhere in North America.

- An 80-year heritage in the roasting of gourmet coffees
- Top-of-the-line roasting and merchandising expertise, supported by one of the most modern production infrastructures in North America
- An extensive distribution network, that can reach consumers wherever they are, through retail outlets or coffee services
- One of the best integrated structures in the industry, enabling Van Houtte to master all key variables: coffee, service and equipment

Van Houtte's Coffee Service Network



Geographic Breakdown of Revenues



Van Houtte is setting up the resources and tools that will ensure the success of its expansion strategy.

- ***Strategic planning and market research***
- ***Stronger organizational capabilities***
- ***Operational standardization and reinforcement***
- ***Customer satisfaction***
- ***Management Information Systems (M.I.S.)***

Implementing these measures entails additional expenses of $1.6 million for fiscal 2000 and approximately $2 million for fiscal 2001, after which Van Houtte will be strongly positioned for accelerated growth in net earnings.

Fiscal 2000 Highlights

Financial Performance

- Sales of $250 million and net earnings of $19 million or $0.88 per share, up for a seventh consecutive year
- Increases of 23% in the number of corporate single-cup coffee brewers installed and 18% in the Coffee Group's shipments

Measures Taken to Accelerate Coffee Service Expansion Throughout North America

- A centralized management team
- New operational model geared to customer and consumer satisfaction
- Launch of two compact single-cup coffee brewers

Investments of $49 million, Including $25 million in Business Acquisitions

- Two Filterfresh franchises (New England and North Virginia/Washington, D.C.)
- One traditional coffee service operator in Minneapolis
- Six coffee service operators in Ontario, the Maritimes and Western Canada
- Gérard Van Houtte Inc., a Canadian gourmet coffee roaster

Market Development

- 41% increase in the number of corporate single-cup coffee brewers in the United States
- U.S. sales account for 20% of Van Houtte's total revenues
- Success of the "Caffe Mondo" program in Canada
- Ongoing implementation of Van Houtte-branded merchandising programs in Canadian supermarkets, and initial breakthrough in the United States
- Strategic alliance between the Café-Bistro Division and *The Great Canadian Bagel* (150 outlets across Canada)

Caffè Mio

Piccolina

An Excellent Financial Position in Support of our Expansion Plan

(in thousands of dollars except ratio and percentage)

	April 1st, 2000	April 1st, 1995
Total assets	**$269,288**	$133,675
Shareholders' equity	**193,711**	82,959
Value of fixed assets	**106,232**	63,188
Working capital	**32,235**	9,026
• current ratio	**2.14:1**	1.44:1
Total net indebtedness	**35,268**	27,770
• % of equity	**18.2%**	33.5%

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